



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

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IN REPLY REFER TO:
HHP 4607.08

October 26, 2007

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

OAHU

SUBJECT:

Approve the issuance of a new lease issued by the State of Hawaii, Department of Transportation, Harbors Division (DOT-H), of approximately 20 acres of public lands, by direct negotiation, to allow the development of a master-planned industrial park for maritime or maritime-related purposes, at the Keehi Industrial Lots Site, Honolulu, Oahu, Hawaii, Tax Map Key Parcels: 1-2-023:029, 033-037, 040-042, 045-050, 053-054, 056-066, 069-080, 082 and 084-091.

APPLICANT:

The State of Hawaii, Department of Transportation, Harbors Division (DOT-H)

REQUEST:

1. Approve the issuance by the DOT-H, by direct negotiation, of a master lease of approximately 20 acres of public lands, for the development of a master-planned industrial park for maritime purposes.
2. Authorize the DOT-H to (i) issue a Request for Proposal (RFP) pursuant to HRS §171-59(a) for the selection of the lessee/developer; (ii) establish the criteria for evaluating and selecting the lessee; (iii) accept and evaluate the applications submitted by prospective lessees; and (iv) select the best applicant.

Legal Reference:

Sections 171-59(a), and other applicable sections of chapter 171, Hawaii Revised Statutes, as amended.

Sections 266-2, and other applicable sections of chapter 266, Hawaii Revised Statutes, as amended.

SUBJECT PROPERTY:

Ownership:

The Site is owned by the State of Hawaii and is under the administration of the DOT-H pursuant to Executive Order No. 2636 and 3708.

Location:

Portion of Government lands situated at the Keehi Industrial Lots Site, Honolulu, Oahu, Hawaii, Tax Map Key Parcels: 1-2-023:029, 033-037, 040-042, 045-050, 053-054, 056-066, 069-080, 082 and 084-091 at Keehi Lagoon, including Pier 60, as generally shown on the attached location map labeled "Exhibit A", and hereinafter referred to as Site.

Area:

20 acres, more or less, of reclaimed land, subject to confirmation by the Department of Accounting and General Services, Survey Division.

The Site is established by natural boundaries and proposals for meaningful use of less than the entire Site may be considered.

Zoning:

State of Hawaii Land Use Classification: Urban
City and County Zoning Designation: I-2 Intensive Industrial District

Existing Use:

The DOT-H presently rents most of the parcels within the Site to a variety of industrial-type tenants under 30 day revocable permits. Ameron International Corp., dba Ameron Hawaii operates a concrete batching facility located immediately east of the Site in the Pahounui Industrial Subdivision.

Ameron Hawaii is proposed as an anchor lease for six acres of land from the DOT-H at Pier 60 (within the Site) to receive shipments of sand and aggregate materials for use in its batching facility. Due to the establishment of its operation within the Site, an arrangement to accommodate and address the existing Ameron Hawaii lease and usage within the Site shall be included in the RFP.

Current tenants within the Site undertake a variety of activities including boat construction and repair, equipment storage, construction and maintenance base yards, landscape storage and plant propagation soils production, pre-cast concrete item fabrication, refuse service office and equipment storage. Previous occupants also included businesses that were engaged in recycling activities.

Trust Land Status:

Section 5(b) lands of the Hawaii Admission Act; Public Law 88-233 DHHL 30% entitlement lands pursuant to the Hawaii State

Constitution: YES _____ NC x Current Use Status / Existing Permits:

A summary of the subject area is attached as Exhibit "B".

STATUTORY AUTHORITY:

1. Disposition of Lease by Negotiation. Section 171-59(a), Hawaii Revised Statutes, which provides that a lease for public land may be disposed of through negotiation upon a finding by the Board Of Land and Natural Resources that the public interest demands it.
2. Disposition of Lease by Negotiation. Section 266-2(b), Hawaii Revised Statutes, authorizes the DOT-H to plan, construct, operate, and maintain any commercial harbor facility in the State, including but not limited to, the acquisition and use of lands necessary to stockpile dredged spoils, without the approval of county agencies.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

This action before the Board is merely a request for the authorization to issue a request for proposal to select a lessee and to negotiate a new lease and land license. This action does not, in and of itself, constitute a use of State lands or funds. Therefore, this action is exempt from the provisions of Chapter 343, HRS, relating to environmental impact statements. The issuance of the lease and/or license will be conditioned upon the proposed lessee/licensee prior compliance with all chapter 343 environmental requirements regarding the lessee's proposed use of the property.

PROPOSED NEW LEASE:

Character of Use:

Master-planned industrial park complex to provide opportunities for warehousing facilities, open yard cargo space, equipment storage areas, open yards for maritime and maritime-related transportation vehicles and other proposed

ancillary facilities that are maritime or maritime-related, capable of accommodating individual or multiple occupants through single or multi-level structures intended to service the need for industrial and warehouse space.

Land Use Entitlements: The lessee shall be responsible for obtaining all land use entitlements, permits and approvals necessary to implement the master plan.

Lease Term: Sixty-five (65) years

Annual Rent: To be determined by independent appraisal and negotiation, subject to review and approval by the Director of Transportation (Director).

Required Improvements: To be determined, subject to review and approval by the Director.

Property Characteristics:

Existing Improvements: Structures within the Site include numerous small sheds and a few larger structures of varying condition utilized for individual purposes.

Legal access: DOT-H has verified that legal access to the property is off of Sand Island Access Road.

Subdivision: The existing lots have not been established through the formal City and County of Honolulu subdivision process.

Encumbrances: DOT-H has verified that the following encumbrances exist on the property:

- DOT-H has issued numerous revocable permits for parcels within the Site. Refer to Exhibit "B".
- The selected developer must take into account existing easements(e.g. petroleum lines, utilities, access, etc.).
- Proposed facilities will be sited to preclude the obstruction of easements.

- Where conflict is unavoidable easement relocation will be required with a clear justification to explain both the need for the easement relocation and sufficient information to explain and support the basis for the proposed relocation.
- All easement relocation requirements, approvals and costs shall be the sole responsibility of the developer.

BACKGROUND:

The subject area is located at the Keehi Industrial Lots Site, Honolulu, Oahu, Hawaii, and includes Pier 60 in the existing Honolulu Harbor and ancillary harbor facilities.

The subject property has development potential due to the proximity to Nimitz Highway, Sand Island Access Road, the ocean, Keehi Lagoon and the Honolulu Harbor. However, the majority of the property is unimproved and underutilized, largely due to the lack of infrastructure and the State's lack of available funds to construct the necessary infrastructure and/or develop the property on its own. DOT-H believes that a master—planned development on the subject property would substantially increase the value of the lands and the return to the State on these lands, especially if the State can secure a private developer that would undertake the various predevelopment duties (e.g., environmental assessment, land use entitlements, etc. and construct the necessary infrastructure and other on—site improvements.

Because of the complexity of developing such a project, including an extended pre—development stage, DOT-H would not be able to attract quality lessees/developers by offering a lease through the public auction process.* The development of a master planned project on the subject property would require extensive negotiations, including negotiation of the developer's obligations to obtain the necessary land use entitlements and governmental approvals/permits and to construct the various off site and on—site improvements. It would not be feasible to attempt to address these requirements in a public auction lease.

* Land use entitlements and government approvals required for a project on the subject property would likely include: environmental assessment, shoreline management plan, shoreline setback variance, conditional use permit, and condominium property regime or subdivision approvals. Additionally, a Corps of Engineers permit, water quality certification, and water use permit may also be required.

Therefore, DOT-H believes issuance of a master lease pursuant to HRS §171—59(a) which allows DOT-H to seek master—plan development proposals, evaluate the proposals and the proposed lessees, and negotiate the terms of a master lease), is the best vehicle to accomplish the objective of developing the subject property.

Further, DOT-H understands there are several parties interested in developing the subject property.

EVALUATION PROCESS:

The DOT-H will select the proposal that is determined to offer the best opportunity for the development of the Site. The evaluation process is intended to select the proposal based on the defined criteria established in the RFP.

Upon the Board approval to dispose of the lease by negotiation, DOT-H is requesting that the Board authorize the Director to issue the request for proposals, establish the evaluation criteria, evaluate the applications, and select the best applicant. DOT-H anticipates that the criteria for selection of the lessee will include, at a minimum, the following:

1. Developer Qualification

- Development qualifications, including development, operations and management experience and capacity of the developer and his team to undertake the type of project proposed
- Experience in projects of a similar or larger size, scale, and complexity.
- Demonstrations of the possession of, or ability to, acquire financing to undertake the development proposed.
- Experience in real estate transactions and tenancy management.
- Knowledge and familiarity of the needs and operational requirements associated with harbor and industrial activities in the Honolulu market.
- Composition of the development team to plan, design and construct the proposed improvements and maintain, operate and manage the resulting complex.

2. Design and Development Plan

- Extent to which the proposed facilities, the layout of the proposed subdivision, the manner and method that utilities services will be upgraded and provided to service the Site will meet the objective sought by the DOT-H.
- Extent to which the proposed development introduces and includes energy efficiency measures, aesthetic design and the general overall improvement and efficiency in the use and disposition of the available land area.
- The extent to which the proposed plan offers a desirable mix of various tenant activities and spaces to accommodate businesses of varying types and sizes compatible with harbor uses.
- Any unique or distinguishing characteristic, feature or attribute associated with the overall design scheme proposed, the layout of individual facilities and their relationship to each other including ease of traffic flow and accessibility or the design elements proposed for the Site as a whole.

3. Feasibility of Overall Project and Proposal

Assessment based on the feasibility and viability of the proposed development plan, business plan and economic plan.

4. Economic Return to the DOT-H

The present value of Holding Period Rents; Development Period Rents; Lease Premiums and Percentage of Profit Participation Rents.

5. Unique Idea offered by the Applicant

Any idea, improvement, amenity, addition or modification to the Project or Site that is unique and not prescribed as a requirement as a development requirement of this RFP.

SELECTION PROCESS:

1. Evaluation Committee and Selection: An Evaluation Committee and Technical Assistance Team will be established by the DOT-H to evaluate all proposals submitted in response to this RFP. A recommendation on selection of the applicant determined to provide the best offer to the DOT-H and a ranking of all other proposals will be provided by the Evaluation Committee for recommendation of the selected application by the Director of Transportation, subject to final approval by the BLNR.

The Technical Assistance Team will provide assistance and support to the Evaluation Committee in review of the proposals. The Evaluation Committee will be responsible for making a determination and final decision on the proposal that will be recommended for selection.

2. Confidentiality: All aspects of the evaluation process and proceedings and all negotiations inclusive of documentation, correspondence and meetings will be kept confidential until after the Development Agreement or Ground Lease is executed, whichever occurs first. No information regarding any proposal or its evaluation will be discussed with or between any of the other competing applicants.
2. Compliance with Minimum Criteria: Evaluation Factors will be as described in this RFP. Evaluation will be subject to a numerical rating system based on the relative priority accorded each evaluation factor. The written ranking evaluations or explanations will be available for public inspection after the award of the development rights for the Site is posted. Evaluation will not be based on

discrimination due to the race, religion, color, national origin, sex, age, marital status, pregnancy, parenthood, handicap or political affiliation of the applicants. In the event six (6) or more proposals are received, the Evaluation Committee may reduce the number of final applicants to a final qualified field of three (3) final applicants. If five (5) or fewer proposals are received, all applicants will be considered finalists and all submissions will be reviewed. Finalist applicants will be invited for a private interview to discuss its proposal and to answer specific written questions provided in advance by the Evaluation Committee. The purpose of the interview sessions is to clarify and assure understanding of the RFP and discuss details relevant to each proposal.

Following interview sessions, the Evaluation Committee will determine whether it will allow opportunity for applicants to submit a Best and Final Offer (BAFO). Notification on a BAFO along with the submission deadline will be provided through written notification to each finalist applicant. As a BAFO is not assured, all applicants should anticipate their original submissions and interview to be the sole opportunity to introduce their proposal for consideration.

All proposals will be reviewed for conformance with the instructions and requirements of the RFP. All submissions will be reviewed for:

- Inclusion of the required project elements.
- Conformance with design and development guidelines.
- Adequacy of the business plan and economic plan in relation to the proposed development program.
- Adherence to minimum requirements prescribed by the RFP.

Each proposal will be subject to review in relation to the above requirements. The Technical Assistance Team will conduct preliminary review of proposals and provide recommendation on acceptability and any aspect of proposals that are of concern, that may raise issues, are deemed unique or which may require further clarification or information.

The Evaluation Committee will conduct its deliberation of all proposals on the basis of a review of each qualified submittal in accordance with the evaluation criteria established herein and comments, suggestions and recommendations from the Technical Assistance Team.

Any proposal determined to be unacceptable or deficient will be rejected and the applicant informed of such disqualification in writing. Rejected proposals will be provided the opportunity to offer clarifying supplemental information only and will not be allowed to increase their offer or substantially change or alter their proposal as originally submitted.

RECOMMENDATION:

That the Board:

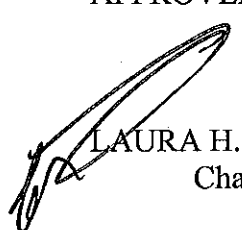
1. Find that the public interest demands that a lease for the subject property be disposed of through negotiation and approve the disposition of a master lease for a master-planned industrial development project with the terms described above pursuant to Section 171-59(a) of the Hawaii Revised Statutes, as amended.
2. Authorize the Director to (i) issue a request for proposal pursuant to HRS §171-59 (a) for the selection of the lessee; (ii) establish the criteria for evaluating and selecting the lessee; (iii) accept and evaluate the applications submitted by prospective lessees; and (iv) select the lessee, which selection shall be subject to review and approval of the DOT-H.
3. Find that the public interest will be best served by the disposition of a land license by negotiation pursuant to HRS §171-59(a).

Respectfully submitted,


BARRY FUKUNAGA
Director of Transportation

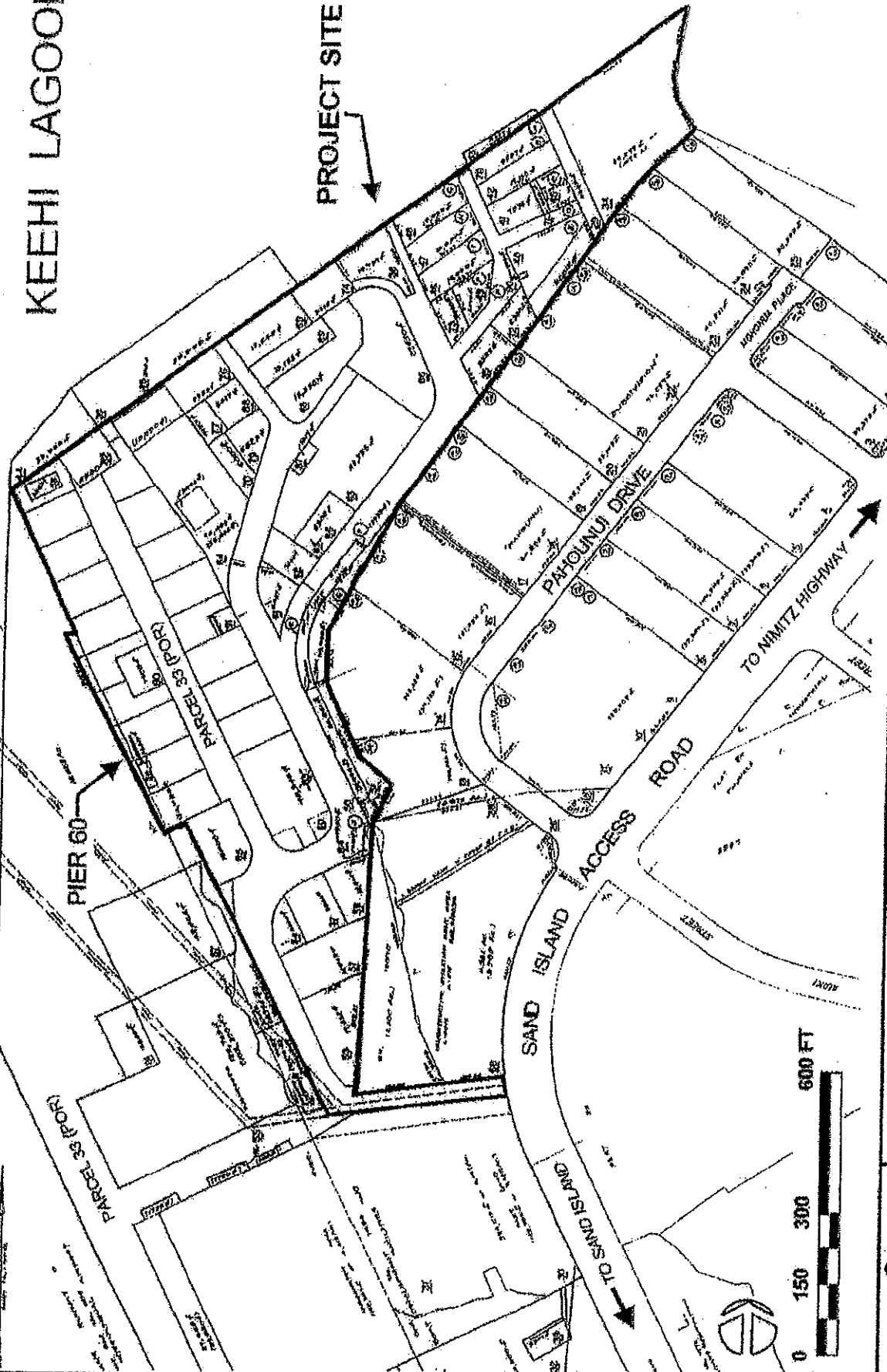
Attachments

APPROVED FOR SUBMITTAL:


LAURA H. THIELEN
Chairperson

KEEHI LAGOON

PROJECT SITE



KEEHI INDUSTRIAL LOTS DEVELOPMENT PLAN

FIGURE
1-3

TAX MAP KEY 1-2-23

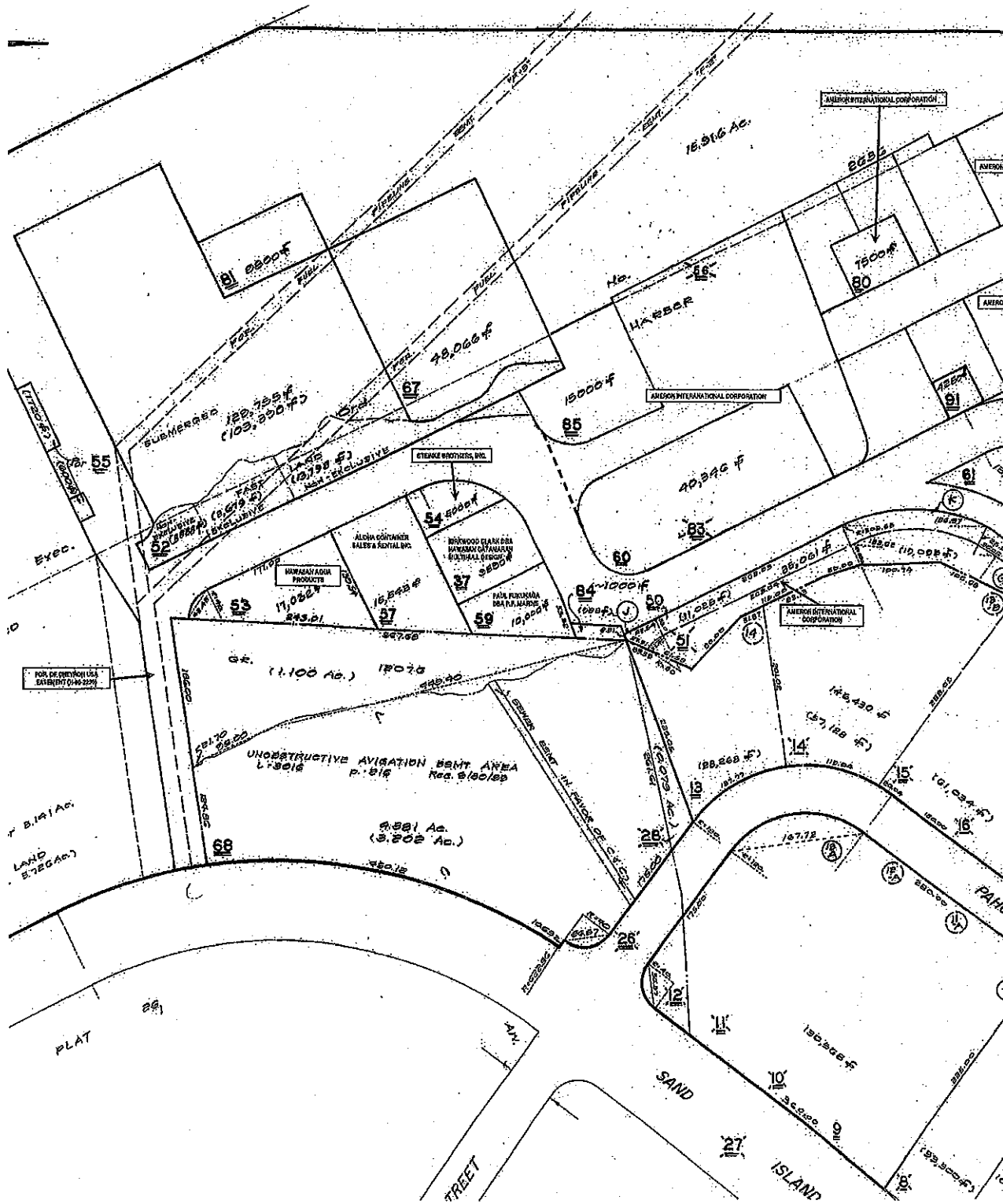


WILSON OKAMOTO
& ASSOCIATES, INC.
ENGINEERS - PLANNERS

No.	Contract Number	Type	Tenant	Effective Date	Tax Map Key
1	H-07-2578	Revocable Permit	REBECCA'S FINE COLLECTIONS, INC. DBA R.F.C. GROUP	8/1/2007	1st/1-2-23:40, etal
2	H-00-2230	Revocable Permit	CHEVRON USA, INC.	11/1/2000	1st/1-2-23:33 (E)
3	H-98-2104	Revocable Permit	AMAZON CONSTRUCTION COMPANY, INC.	10/15/1998	1st/1-2-23:33P
4	H-06-2553	Revocable Permit	JAS W. GLOVER, LTD	10/19/2006	1st/1-2-23:34P
5	H-97-1986	Revocable Permit	FRANK P. WHITE JR. PROPERTIES	10/1/1997	1st/1-2-23:35
6	H-97-1988	Revocable Permit	ISHIKAWA, NORMAN & DOLORES	10/1/1997	1st/1-2-23:36
7	H-97-2000	Revocable Permit	KIRKWOOD, CLARKE	10/1/1997	1st/1-2-23:37P
8	H-99-2153	Revocable Permit	HAWAII PAINTING AND WALLCOVERING, INC.	9/1/1999	1st/1-2-23:46
9	H-07-2577	Revocable Permit	SAITO, LINCOLN TIMOTHY	3/1/2007	1st/1-2-23:47
10	H-07-2590	Revocable Permit	GILLIS, EUGENE DBA EXCAVATION SERVICES	7/1/2007	1ST/1-2-23:48
11	H-90-1678	Revocable Permit	PIONEER MACHINERY, INC.	11/1/1990	1st/1-2-23:50P
12	H-97-1978	Revocable Permit	AMERON INTERNATIONAL CORPORATION	10/1/1997	1st/1-2-23:50P, 51P
13	H-97-2002	Revocable Permit	HAWAIIAN AQUA PRODUCTS, INC.	10/1/1997	1st/1-2-23:53P
14	H-97-1981	Revocable Permit	STEINKE BROTHERS, INC.	10/1/1997	1st/1-2-23:54
15	H-02-2344	Revocable Permit	ALOHA CONTAINER SALES & RENTAL, INC.	11/15/2002	1st/1-2-23:57
16	H-02-2339	Revocable Permit	FUKUNAGA, PAUL N. dba P.F. MARINE	7/1/2002	1st/1-2-23:59
17	H-00-2235	Revocable Permit	CONCRETE CORING OF HAWAII, INC.	11/17/2000	1st/1-2-23:61
18	H-97-1999	Revocable Permit	ALOHA TOOL AND RENTAL, INC.	10/1/1997	1st/1-2-23:64P
19	H-97-1985	Revocable Permit	ALOHA AGRICULTURAL CONSULTANTS, INC.	10/1/1997	1st/1-2-23:66P
20	H-97-1984	Revocable Permit	ERIK BUILDERS, INC.	10/1/1997	1st/1-2-23:66P
21	H-98-2092	Revocable Permit	ERIK BUILDERS, INC.	9/1/1998	1st/1-2-23:66P
22	H-01-2277	Revocable Permit	AMERICAN MARINE CORPORATION	6/1/2001	1st/1-2-23:69
23	H-97-1998	Revocable Permit	ALOHA TOOL AND RENTAL, INC.	10/1/1997	1st/1-2-23:70P
24	H-97-1995	Revocable Permit	KUMU CORPORATION	10/1/1997	1st/1-2-23:73P
25	H-97-1987	Revocable Permit	MASUDA, RICHARD M.	10/1/1997	1st/1-2-23:74P

No.	Contract Number	Type	Tenant	Effective Date	Tax Map Key
26	H-98-2115	Revocable Permit	RON'S CONCRETE SPECIALISTS, LTD.	3/1/1999	1st/1-2-23:76
27	H-97-1992	Revocable Permit	HONOLULU RECOVERY, INC.	10/1/1997	1st/1-2-23:77
28	H-98-2093	Revocable Permit	ANUENUE REFUSE, INC.	9/1/1998	1st/1-2-23:77P
29	H-97-1994	Revocable Permit	POYSKY, GEORGE	10/1/1997	1st/1-2-23:78
30	H-00-2233	Revocable Permit	ALOHA AGRICULTURAL CONSULTANTS, INC.	4/1/2001	1st/1-2-23:79
31	H-87-1453	Revocable Permit	AMERON INTERNATIONAL CORPORATION	1/1/1988	1st/1-2-23:80
32	H-98-2074	Revocable Permit	FRIENDS OF HOKULE'A AND HAWAII'LOA	8/1/1998	1st/1-2-23:89P
33	H-99-2157	Revocable Permit	LANSDOWN, IAN J.	9/1/1999	1st/1-2-23:92
34	H-01-2248	Revocable Permit	NANAKULI NEIGHBORHOOD HOUSING SERVICES	4/1/2001	1st/1-2-23:93
35	H-01-2256	Revocable Permit	AMERICAN MARINE CORPORATION	4/1/2001	1st/1-2-23:94
36	H-02-2366	Revocable Permit	GILLIS, EUGENE DBA EXCAVATION SERVICES	3/1/2003	1st/1-2-23P

KEEHI INDUS
(AS OF SEPTE



TRIAL LOTS

(BER 2007)

